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Connecticut General Assembly
Energy and Technology Committee

Testimony on

SB 875, An Act Expanding Connecticut's
Offshore Wind Energy Portfolio

and

HB 7156, An Act Concerning the Procurement of
Energy Derived from Offshore Wind

The New England Power Generators Association ("NEPGA")[1] appreciates the opportunity to provide testimony on SB 875, An *Act Expanding Connecticut's Offshore Wind Energy Portfolio*, and HB 7156, *An Act Concerning the Procurement of Energy Derived from Offshore Wind*. NEPGA opposes SB 875 and HB 7156 because both bills would increase out-of-market procurements of offshore wind resources, which would further displace cost-effective generation in the wholesale market place, and, over time, expose consumers to the risks of long-term contracts to support resources needed for reliability. Instead, if, as some proponents have stated, this is a proposal intended to help Connecticut meet its Global Warming Solutions Act mandates, NEPGA suggests the better, more competitive way would be to work with states in New England to set a meaningful price on carbon dioxide emissions for electricity and other sectors of the economy – particularly transportation.

NEPGA is the trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 MW – or approximately 90% of all generating capacity throughout New England - and roughly 8,074 MW of the generating capacity in Connecticut. NEPGA companies also provide thousands of well-paying, highly skilled jobs to the state's workforce, pay millions of dollars in taxes to the state and its cities and towns and contribute millions of dollars in income taxes paid by employees.

[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

Since electric restructuring in the late 1990s, generators participating in New England's competitive wholesale electricity markets have invested billions of dollars in facilities to produce a reliable, cost-effective supply of electricity without guaranteed cost recovery or a guaranteed rate of return. In fact, 2016 and 2017 featured the lowest annual average wholesale electricity prices since the beginning of the competitive markets. The region's markets have also produced a cleaner, more efficient fleet of power plants, reducing greenhouse gas emissions by 46% since 1990 - the most of any sector of the economy over the same period.

SB 875 and HB 7156 would put these consumer benefits at risk. SB 875 authorizes the Department of Energy and Environmental Protection (DEEP) to solicit proposals for offshore wind resources in an amount of up to 15% of the load of the State's two electric distribution companies. HB 7156 goes even further, as it would *require* DEEP to solicit up to 2,000 MW of offshore wind resources. If enacted, either bill would effectively carve-out a large swath of the market and insulate these state-supported offshore wind resources from broader competition. In addition, creating ever-larger carve-outs would place the competitive markets on a potentially unsustainable path going forward. If Connecticut and the other New England states implement energy and environmental policies authorized as of 2018, including long-term contracting of offshore wind and increased renewable portfolio standards (RPS), NEPGA estimates that the percentage of regional energy needs provided by all state-sponsored resources would grow to approximately 58% by 2027. This estimate does not account for the potential of still more procurements in Connecticut and other New England states.

NEPGA is concerned that under these conditions, existing resources will not be able to earn enough revenue to remain in the market, forcing them to seek retirement earlier than they would have absent the additional subsidized resources. Under that scenario, ISO New England (ISO-NE) could nonetheless decide to retain those resources for fuel security or other reliability needs, as it did with the Mystic Generating Station in Massachusetts, through cost-of-service agreements. In short, the impact of additional subsidized procurements, in conjunction with existing authorizations, threatens to upend the benefits of competitive markets by once again exposing ratepayers to the risks of higher costs and bad investments.

Additional subsidized procurements would also impact on those low or zero emission resources that participate in the wholesale electricity markets that help states like Connecticut meet their environmental mandates. As discussed above, existing resources, particularly those that provide zero carbon energy, can expect to receive lower revenues as a consequence of an influx of offshore wind and other state-supported resources that act as price takers in the wholesale energy market. This would artificially decrease energy market prices, potentially impacting the viability of existing zero carbon resources needed to achieve the Connecticut's greenhouse gas emissions goals under the Global Warming Solutions Act.

Today, facilities in Connecticut and the other New England states that generate electricity using a carbon-based fuel participate in the Regional Greenhouse Gas Initiative (RGGI). RGGI's impact on energy savings, program rebates and emissions cannot be understated: RGGI has already resulted in more than $154 million in annual energy bill savings and is on track to return more than $2.3 billion through the lifetime of the program. Most importantly, investments in RGGI are projected to reduce carbon emissions by 5.3 million short tons of CO_2 over the program's lifetime.[2] Recently, the nine RGGI states proposed an additional 30% reduction in the regional GHG emissions cap from 2020 to 2030.[3] Participation in RGGI, however, is limited exclusively to the electricity sector.

In addition to programs like RGGI, New England and Connecticut have already seen significant reductions in carbon emissions because of greater efficiencies following the restructuring of the state's electricity industry. Since 1999, the efficiency (measured in heat rate) for power plants in New England improved by 22%. This means that the electricity output that used to take four plants to produce, today takes only three. According to recent data released by the U.S. Energy Information Agency (EIA), power plants in Connecticut have reduced carbon emissions by 38% between 1990 and 2016.[4] Notably, CO_2 emissions from the transportation sector increased by 3% over the same period. NEPGA urges the Committee to consider whether other sectors of the economy have made sufficient contributions to greenhouse gas emissions reductions, particularly transportation, and to consider market-based mechanisms that would more efficiently and effectively reduce CO_2 rather than selecting individual technologies in the electricity sector.

Further, some existing units that qualify for state RPS will also be impacted by reduced energy market revenues through additional offshore wind procurements. This impact will be especially acute for many existing hydroelectric resources, and other resources that qualify for RPS, but that are not supplying energy under long-term power sale agreements or otherwise receiving revenue from serving consumer loads. These hydroelectric resources not only contribute to meeting the Connecticut's emissions goals, but those with pondage capability (e.g., pumped storage facilities) also add significant value to reliability through their ability to conform to changing system conditions. However, these resources are often overlooked in the state policies that favor new rather than valuable existing resources. Additionally, RPS-qualified resources that see their long-term contracts expire during this period will face this same market dynamic.

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[2] https://rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2015.pdf
[3] https://www.rggi.org/sites/default/files/Uploads/Press-Releases/2017_08_23_Announcement_Proposed_Program_Changes.pdf
[4] https://www.eia.gov/environment/emissions/state/

NEPGA urges the Committee to consider the negative impacts of additional state-supported offshore wind procurements, as proposed in SB 875 and HB 7156, and to instead allow New England's competitive wholesale electricity markets to continue to provide a more efficient, cost-effective means for procuring electricity supply in Connecticut.

Respectfully submitted,

/s/

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